

Preface

In the late 1990s, when the online game industry first began to expand in Korea, I had some opportunities to talk with a few Japanese console game developers. I explained to them the attributes and business model of the online game, which was a new upcoming trend. Unfortunately, however, their reaction was contrary to what I expected. They didn't understand 'What online game is' and I was surprised by their response.

Even in the past 10 years, the attitudes of console game developers to the online game have not changed much. It seems impossible for orthodox console and PC game developers not only to understand the online game, but also to design and develop online games.

Generally speaking, the console game and the online game seem similar in terms of games. Playing styles are very similar. Controlling characters, background game graphics and sounds, and solving quests are similar elements in both. Nevertheless, why can't console game developers grab the essence of the online game? The reason can be found in this term, 'disruptive innovation'.

Online gaming is a new industry derived from the PC and console game through disruptive innovation. Considering the technical aspect, for instance, offline games like the PC and console game are launched in the form of the game package consisting of just a client program; on the other hand, online games comprise not only a client program but also a server program which can hold a lot of access users concurrently. Roles of game servers consist of a number of users ranging from dozens to millions, allowing many users to play the same game

at the same time. In this context, as offline game developers do not have any knowledge about server programming, they are not able to construct a game server system. In view of online game business, offline game developers only have ‘half capability’.

Furthermore, one of the critical techniques in managing game servers is security. Once online game servers are hacked, cyber assets accumulated by users can be stolen, or free servers managed by unauthorized subjects can result in a leak of essential game source codes. Problems that offline game developers could never have imagined may happen in the online game industry.

Moreover, product attributes between online games and offline games are fundamentally different. In offline games, game quality itself is the most important barometer. In online games, however, besides game contents, community identity creates a new product attribute added to the online game. Community identity refers to a process whereby users evolve game contents while playing an online game. This process shows that users have taken one step into the game developing process, and it can be interpreted in terms of *Democratizing Innovation* by von Hippel.

Therefore, accepting various requirements from users and adapting them into game contents are very important for online game development. However, for offline game developers, users’ penetration into game development process is not easy to accept. In the eyes of offline game developers, users are not companions constructing game contents together, but passive consumers just playing games made by them. There are also huge differences in the business model and the distribution channel between both of them.

Having considered these reasons, it is not difficult to understand why offline game developers cannot understand online gaming to the extent that they sometimes feel hostile towards it. Online gaming became a ‘service’, not just a game, through disruptive innovation.

Explanations about the online game industry based on the innovation theory suggest sound reasons why the online game was first industrialized in Korea instead of in Japan or the USA, two big powers in the game industry. It also explains how Korea came to acquire the best

online game development technologies in the world. Compared to comics, animation and the console game business for which Korea was the original equipment manufacturer (OEM) of Japan or the USA, the online game business was conceptualized in Korea, based on strong information technology (IT) infrastructure. It swept the Asian market and has now expanded to the rest of the world. Moreover, diverse businesses such as the game community, Avatar service and the item-based model have gained the interest of global game and Internet companies.

This book is the first study to survey innovations and the industrial formation process of online game business, and global strategies of major Korean online game companies. I have examined diverse aspects of the online game business over a ten-year period. Beginning from the innovation of online games, this book contains many topics broadly related to online gaming, including the main factors stimulating online game business in Korea, comparisons of users' attributes in various countries, differences between online and offline game users, and virtual business created by online games. Research on user attributes and market investigation were conducted over a five-year period in China, Japan, USA and Southeast Asian countries as well.

Chapter 5 focuses especially on an analysis of relevant government policies. Government policies toward businesses always attract controversy. Far from the general opinion reported by the foreign media, the Korean Internet contents industry has not developed as a whole due to support from government IT industry policies. To a creativity-based business like Internet contents, government support can be a double-edged sword. This book clarifies the actual role of the Korean government at the beginning and at the developmental period of the online gaming business.

I sincerely hope that this book will be helpful to readers who have an interest in innovative and creative businesses like the Internet contents business.

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8 January 2009